

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **201330044**

Release Date: 7/26/2013

Date: May 3, 2013

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL Number: 4945.04-04

V= Management Services Co.

W= Retirement Community

Y= Scholarship Program

Z= City, State

y dollars = \$

z dollars = \$

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called Y.

Your purpose is to provide scholarships to employees of V who have worked at W in Z for at least a year, or a dependent of such an employee, or a child or grandchild of a person who is a current resident of W. You will generally award three scholarships bi-annually from y dollars to z dollars.

The purpose of Y is to grant a cash gift to be paid to the educational institution to be attended by the recipient. The funds must be used to defray the recipient's expenses for tuition and fees required for enrollment and for fees, books, supplies, and equipment required of all students for the particular courses of instruction in which the recipient enrolls. Y grants funds without any consideration whatsoever to the field chosen by the recipient or educational track.

Winners are selected in an objective and non discriminatory manner. The selection of winners is based on some or all of the following criteria; scholastic record; financial need; performance on tests designed to measure ability and aptitude; recommendations from current and past instructors, advisors, and employers; conclusions drawn from discussions or personal interviews with applicant and the applicant instructors, employers, contemporaries and other who know the applicant as to the motivation, character, ability and potential; and a written essay. In addition, the selection of Y winners will be conducted in a manner which complies with the provisions of Revenue Procedure 76-47, 1976-2 C.B. 670 so that Y will fall outside the pattern of employment within the meaning and use of such term.

Y will not be used by you or by V to recruit employees or to induce employees to continue their employment or otherwise follow a course of action sought by V.

Each member of the scholarship committee shall be wholly independent and separate from you and V.

Each applicant must meet the minimum standards for admission to an educational institution as defined in Section 170(b)(1)(A)(ii) of the Internal Revenue Code for which scholarships are available, and it must reasonably be expected that such applicant will attend such an institution if such applicant is awarded such a scholarship.

The standards for Y shall be completely unrelated to the employment of the recipient of Y or their parents and to the line of business of V.

Awards may not be terminated because the recipient or the recipient's parent terminates employment with V subsequent to the awarding of Y regardless of the reason for such termination of employment.

At the time scholarships are awarded, there shall be no requirement, condition or suggestion, express or implied, that the recipient or parent is expected to render future employment services for you or V, or be available for such future employment.

The courses of study for which Y is available will not be limited to those that would be of a particular benefit to V or to you; and if the courses of study for which Y is available include one or more that would be of such particular benefit, Y may not be conditioned on the recipient choosing such courses of study.

The terms of Y and the courses of study for which Y is available must meet all other requirements of Section 117 of the Internal Revenue Code and the regulations there under, and must be consistent with a disinterested purpose of enabling the recipient to obtain an education in their individual capacities solely for their personal benefit and must not include any commitments, understandings or obligations, conditional or unconditional, suggesting that the studies are undertaken by the recipients for the benefit of V or you or have as their objective the accomplishment of any purpose of V or you (even though

consistent with its exempt status) other than enabling the recipients to obtain an education in their individual capacities and solely for their personal benefit.

The number of scholarships awarded to children of employees of V in any year will not exceed % of the number of employees' children who; (a) were eligible, (b) were applicants for such scholarships, and (c) were considered by the scholarship committee in selecting the scholarship winners in that year; or % of the number of employees' children who can be shown to be eligible for scholarship awards (whether or not they submitted an application) in that year.

The number of scholarships awarded to employees of V in any year does not exceed % of the number of employees who: (a) were eligible, (b) were applicants for such scholarships, and (c) were considered by the scholarship committee in selecting the scholarship winners in that year.

Children and/or grandchildren of residents of W are not considered when calculating the percentage of employee related scholarships.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements